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June 22, 2005

Via e-mail: [1605bgeneralguidelines.comments@hq.doe.gov](mailto:1605bgeneralguidelines.comments@hq.doe.gov)

Re: International Paper Comments on the Revised Voluntary Greenhouse Gas (GHG)  
Reporting Program: General Guidelines; 10 CFR Part 300 Interim Final Rule;  
RIN Number 1901-AB11.

Mr. Friedrichs:

International Paper (IP) is the largest forest products company in the world operating in over 40 countries with significant manufacturing and forestry operations in the United States. IP currently participates in several voluntary greenhouse gas trading and reduction programs including the EPA Climate Leaders Partnership and the Chicago Climate Exchange®. International Paper is also a member of the American Forest and Paper Association (AF&PA), a participant in DOE's Climate VISION program.

International Paper's experience with voluntary programs in the U.S. and mandatory programs in Europe gives us broad insights with respect to GHG programs. Our position as one of the largest private forest landowners in the U.S./World provides us with a unique and well-founded perspective on forests that few others possess. The Interim Final Rule and the associated technical guidelines will impact us more directly than virtually any other individual commenter. Based on these facts, we ask that you give our comments, particularly in the area of forest management, additional consideration.

## **GENERAL COMMENTS**

IP believes that the adoption of a practical, functional and appropriately envisioned national GHG registry is an important task. One of the fundamental issues confronting DOE is the virtual impossibility to get this task "right" until a more defined GHG program is developed. This foundation forms one of the cornerstones of our comments. The tracking of voluntary initiatives must be proportional to the perceived value and effort involved. For us, the price, particularly the price associated with inventorying carbon in our forests, is overly excessive for a "voluntary" program.

We are also concerned that, once DOE expends such a vast effort on developing this “voluntary reporting initiative,” there will be great temptation to adopt it into yet-to-be-defined regulatory programs. The concept of “voluntary” should be just that, not a precursor to a future hypothetical regulatory regime. To that end, we also find it difficult to comment thoroughly on the General Guidelines without connecting them to the Technical Guidelines that are on a different commenting cycle. Changes to either impact both.

Our experience with voluntary reporting efforts in other countries (e.g. Canada) is that they have not preserved specified baselines. DOE need look no farther than the pre-2002 data that were supposed to be protected by the original 1605(b) to realize that voluntary data collection is insufficient for regulatory baseline setting. The exception to this may be those companies, like us, who are participating in CCX, and/or Climate Leaders, or the regulated utilities already reporting this information in a verifiable format.

Lastly, it must be recognized that the U.S. pulp and paper industry, as derived from DOE’s 2003 Report on Emissions of GHG in the U.S., represents less than 0.5% of U.S. GHG emissions while utilities and transportation represent the primary sources of GHG emissions in the U.S. We are an energy intensive industry, however, more than 60% of that energy comes from biorenewable and carbon dioxide-neutral woodwaste fuels. IP continues to make steady energy efficiency gains, use more sustainably managed biorenewable fuels, and reduce consumption of expensive fossil fuels. Additionally, the forest products industry only accounts for 9.1% of the forests in the U.S. with most industrial landowners holding far less than 1%. The requirement for costly and extensive forestry accounting for the forest products industry is wholly out of proportion for any benefit that might be realized. Furthermore, including forest sequestration on an entity-wide basis discriminates against our industry by requiring inventory and reporting of resources that do not appreciably affect the GHG profile of the U.S.

## **TECHNICAL COMMENTS**

The following comments address specific areas of the interim final rule or the technical guidelines:

### Consistency of Reporting

International Paper feels strongly that the sole purpose of the registry should be to serve as a place for entities to report emissions consistently from year to year. The March 2005 General Guidelines draft and the interim final rule go well beyond that objective by introducing prescriptive qualifications and restrictions on registration of emissions. IP believes that this registry, or any GHG registry, should be a simple, consistent and transparent reporting tool that does not overly constrain reporting entities when submitting emissions data from year to year. DOE has over complicated this process, and as such, has significantly limited the usefulness of the 1605(b) program.

## Baseline Issues

The choice of terms like “Baseline Year”, are biased towards future purposes that are not evident in the scope of the regulatory intent. Two concepts concerning baselines must be addressed: 1) inventory baselines, and 2) registered reduction baselines. International Paper strongly believes that a baseline is unnecessary for registering reductions as further discussed below. A baseline or starting point for the “inventory side” of the equation is acceptable if it allows for adjustments associated with acquisitions and divestitures.

If the 1605(b) program were to adopt the concept of being solely an “inventory” of emissions, the concept of “registering reductions” becomes meaningless. Hence, the need for identifying a specific emissions inventory baseline becomes unnecessary. Any timeframe should be acceptable. Reductions would then become a matter of simple arithmetic from year-over-year analysis rather than a complicated accounting of baseline and registered reductions. With this approach, all reductions within the entity boundary would be captured in the entity’s inventory in the year-over-year analysis. Such an approach has been very successfully adopted by the Chicago Climate Exchange®. In effect, registering specific reductions is unnecessary because the results of the reductions are subsumed in the entity’s annual emissions profile. Any effort to impose requirements beyond the simple reporting of emissions seems to look as if DOE were presupposing some future use of 1605(b) involving the granting of “credits” under a future mandatory program that would be more complex than current voluntary trading schemes. Also, the current CO<sub>2</sub> market does not recognize 2002 or any other specific year so preserving “reductions” for future “credits” in this context is meaningless.

At its outset, your Administration set forth programs to promote and prompt industry to take early action with respect to GHG reductions. Those programs bore fruit and the early actions taken by industry will now be penalized by setting a 2002 baseline. The future success of voluntary initiatives will be compromised if Government does not honor its commitment to these programs. As a practical matter, if 1605b were to be used for reporting under Climate Leaders and Climate VISION, as specified in the preamble, it should allow for the baseline years established in those program commitments. For participants in EPA’s Climate Leaders program, that baseline year is 2000. It is strongly encouraged that DOE establish an inventory baseline consistent with the Climate Leaders and Climate VISION programs.

Baselines are disproportionately troublesome in forest accounting, particularly if they are not correctly adjusted for acquisitions and divestitures. Our forestland base is continually changing, both in terms of inventory and ownership, thus increasing the difficulty and complexity of forestry accounting compared to the simple accounting related to tracking mill or factory emissions.

Forests are not inventoried every year. Rather, statistical models are used to estimate their growth during intervening years. Over time, forest stands may be remapped, combined with other stands, divided into multiple new stands, and even replaced with new forests as current stands (or portions of them) are harvested. Tracking all of these

changes back through a “reverse” modeling effort to adjust a baseline for land sales would be extraordinarily difficult and costly and is beyond the current capability of any industrial forest inventory system. This makes adjusting baselines when forestlands are sold prone to significant inaccuracy. In most cases adjusting the baseline does not change the carbon sequestration, either actual or potential, as the land remains forested, just under different ownership. A broad national inventory, such as the FIA, is ownership neutral and thus a better and more supportable estimator of growing stock and carbon sequestration. Further comments on this topic are included in the following section.

### Sequestration Reporting

As currently written, the General Guidelines require entity-wide reporting. For entities owning forestland, this would mandate annual, or at least periodic, accounting of sequestered forest carbon. As such, the rules would place the federal government squarely in the middle of private land use and property rights issues, and establish complex, costly, and intrusive regulatory burdens for no apparent benefits in terms of carbon sequestration.

It is inadvisable to adopt a government program that would set forth expectations for determining who, where, when and how carbon sequestration must be measured on privately-owned real estate when the property owner is making no sequestration claims and is seeking no special consideration from the government in this regard.

Some years ago, as the nation began grappling with the issue of potential climate change in earnest, it became apparent that one of America’s strengths is her abundant, healthy and expanding forests. It became well recognized that if carbon dioxide in the atmosphere is a problem, then “fixing” that carbon in trees may be part of the solution.

The U.S. Department of Agriculture has for many years been estimating the extent and health of America’s forests. Through these longstanding, comprehensive surveys, the government of this country is uniquely equipped to estimate this carbon sequestration benefit at a national level.

To the extent the government wishes to claim “credit” for this global benefit in an international legal or political context, it should. To the extent the government wishes to grow this international “credit” by promoting domestic projects that increase the amount of carbon sequestered in America’s trees, it should.

The sequestration accounting requirement, as envisioned in Section 300.6(f) is complex, costly and intrusive. It adds no additional carbon sequestration benefit above and beyond what is already rolled up into current national government forest health measures.

What the proposed 1605(b) rules risk is drawing the federal government into the realm of private property takings. A proposed regulation that specifically dictates to private real estate owners how to account for their provision of a free public benefit sets the stage for an expectation that landowners shall provide these benefits in perpetuity. Should such a

regulatory expectation limit the future uses of the property without fair compensation, then an economic taking will have occurred. We do not believe this is the intent of the Administration.

We urge you to delete the language found in Section 300.6(f) that advocates the need for private property owners to conduct an inventory of "annual changes in managed terrestrial carbon stocks." Such a requirement on landowners provides no benefit to the landowner or the public or the government, is unnecessarily burdensome and duplicative of current national forest inventory assessments, and is potentially inconsistent with our core values of private property rights.

International Paper further opposes mandatory inclusion of forest sequestration in entity level reporting for the following reasons:

1. Annual carbon accounting for "on-going" forestry operations is prone to reflect short-term changes in growth, age structure, and harvest cycles that have no long-term impact on forest carbon.
2. Detecting meaningful periodic change in large forest inventories is a daunting task, both logistically and statistically, even for entities with sophisticated commercial timberland inventories.
3. The cost of forest carbon accounting is overly burdensome for large forest landowners when compared with carbon accounting for the manufacturing sector.
4. It seems unlikely that private non-industrial landowners will choose to voluntarily report forest sequestration changes. Yet, these owners are projected to hold over 80% of private forest inventory volumes by 2010 (Haynes, R. W. 2003. *An analysis of the timber situation in the United States, 1952 to 2050*, USDA Forest Service, Gen. Tech. Rep. PNW-GTR-560). Non-industrial private landowners hold 54.2% of the nation's forestland.
5. It is also unclear whether entities such as the U.S. Forest Service, U.S. Park Service, Bureau of Land Management and various state-owned forest properties will participate in voluntary reporting of forest sequestration; without them the overall forestry carbon picture will be incomplete. The breakdown of U.S. forestland by ownership is: Forest Industry - 9.1%; Non-industrial Private - 54.2%; Federal - 27.4%; and Other Public - 9.3%.
6. The National Forest Inventory Assessment (FIA) used to report GHG to the international community as part of the U.S. obligations under the Climate Change Agreement of 1992 provides a more complete characterization of forest carbon change than any aggregation of voluntary reports, such as 1605(b).
7. Forest ownership has become increasingly fluid, and can be associated with change in subsequent land use. Such changes may be far more important than annual inventory variation in on-going forest operations, but tracking them would be costly and impractical.

Given that forest inventories have been increasing in all U.S. ownerships and are projected to continue to do so through 2050, International Paper remains unconvinced that DOE has adequately weighed the costs and benefits of "mandatory" inclusion of

forest sequestration in entity-wide reports and believes that such a requirement will be a serious disincentive to voluntary reporting under 1605(b).

Included among other options that DOE might consider is the concept of simplifying the forest sequestration accounting process based upon sustainable management of forests. We recognize that the Technical Guidelines allow reporters to assume that sustainably managed forestlands are carbon neutral. Given that forest certification systems all require owners to adhere to specific actions intended to preserve or improve the quality and sustainability of their forestlands, it seems more reasonable to accept the proviso that forestlands certified as sustainably managed will generally not exhibit large negative swings in carbon stock over time.

The critical section in the 1605(b) Technical Guideline language is in 1.I.3.5. IP firmly supports this allowance, but is concerned with the language in the first paragraph which seems to imply that changes to independent certification standards may be needed. IP believes that the listed certification systems are adequate in themselves and that a specific carbon indicator is not required. IP also believes that this language would represent an inappropriate intrusion of the government and DOE into independent forest certification programs and could potentially complicate those systems. Such changes are entirely unacceptable in our view and could potentially interfere with efforts to increase the acreage certified forestlands in all states where we conduct business.

*We believe that the following language changes are absolutely necessary for this provision to be valid and avoid complicated and difficult issues associated with introducing additional "indicators" into independent forest certification schemes.*

### **1.I.3.5 Sustainably Managed Forests**

Some entities' forest land is managed sustainably, which is determined separately from the 1605(b) process in certification procedures that involve assessment of numerous indicators. If a land area is certified sustainable, it is highly unlikely the inventory of carbon on that land is declining. In this case the reporter may assume there is neither an increase nor decrease in carbon flow and report a default flux of "zero" for those lands. ~~Reporters using third-party certification as a basis for reporting zero net carbon flux should verify that the certification process includes indicators that would detect long-term declines in carbon stocks.~~ Third-party certification systems, such as the following, **should [may]** be used to determine that lands are sustainably managed **[and report such lands as "zero" carbon flux for the purpose of meeting 1605(b) reporting criteria]:**

1. The Sustainable Forestry Initiative (SFI)
2. Forest Stewardship Council
3. The American Tree Farm System
4. Green Tag Forestry, National Woodlands Owners Association

Sustainably managed land may also experience an increase in carbon stocks through better management, improved technologies, and increased productivity.

In those instances it may benefit the entity to include sustainably managed lands in its carbon inventories.

The above language is partially responsive to our primary position; however it falls short of that much simpler approach, deleting Section 300.6(f) and the requirement for forest sequestration accounting on an entity basis.

#### Forest Preservation

International Paper does not believe that forest preservation activities as defined in the Technical Guidelines should receive any special consideration relative to other forestlands where harvesting is constrained. Such constraints might be legally mandated under state forest practices regulations, or they might be voluntarily imposed as best management practices. In any event, lands thus constrained are not afforded the same treatment under the Guidelines as areas under preservation easements, though the effect is the same. The provision allowing forest preservation projects to meter baseline carbon into its sequestration reports is similarly without scientific or logical merit and should be dropped.

#### Emissions Intensity Reductions

International Paper supports DOE's allowance for reporting reductions in either intensity or absolute emission terms. Intensity metrics may be appropriate for some business types but inappropriate for our industry and others with multiple product types. In many cases, intensity is not valuable unless measured and reported by product line which can be difficult and burdensome, but in other cases intensity may be the ideal metric. It is suggested that DOE not impose additional qualifiers on the use of emissions intensity as long as an entity reports every year using the consistent metrics.

Section 300.8(h)(1) allows reductions associated with emissions intensity as long as appropriate adjustments have been made for "changes in products." IP feels this qualifier is discriminating to industries with product lines that adjust to market demands. Paper products change often as they are market driven and must reflect the needs of the customers e.g. increased recycle content, thickness, fiber content etc. Changes in products, such as these, should not be penalized. In fact, some product changes (e.g. increased recycle content) may be very beneficial and valid GHG reduction strategies. It is unclear why DOE wishes to restrict such changes.

#### Absolute Emissions Reductions

International Paper supports 1605(b)'s allowance for reporting reductions in either intensity or absolute emission terms. The choice for using either metric should be left to the reporting entity without restrictions. As with emissions intensity reductions, DOE has placed unnecessary restrictions and qualifiers on reporting absolute emission reductions.

If DOE insists on the registration of emission reductions, it must make allowance and accommodation for reporting the reductions in absolute terms. Reporting reductions in absolute terms should not be so prescriptive such that they require ties to production levels or exclude plant closures. Absolute reductions are the most beneficial to the environment and real impacts on climate change will not be made with real reductions in the concentration of CO<sub>2</sub>. By imposing artificial limitations which tie absolute reductions to production, DOE fails to recognize this benefit.

In § 300.8(h)(2), absolute emissions reductions are allowed if changes were not achieved as a result of “reductions in the output of the reporting entity and certifies that emission reductions are not the result of major shifts in the types of products or services produced.” If an entity has a valid inventory based on a standard protocol, changes in acquisitions, divestitures and plant closures will be routinely and predictably reflected in the inventory. If DOE is concerned about movement of production and emissions out of the country, this may be addressed through transparency of reporting for all operations owned by an entity both domestic and international. It can also be reflected in the inventory of the country where production ultimately resides.

#### Plant Closures

Section 300.8(j)(2) disqualifies the reporting of reductions generated by facility closures. This reflects a significant bias by DOE. By precluding the reporting and registration of carbon reductions from plant closures DOE has failed to recognize the nature of capital investment cycles and fundamental technology changes that are necessary to achieve a goal of reducing global carbon emissions. International Paper’s operations are global in scope and it is our intent to capture significant emissions accordingly.

The EU adopted a similar position and is already having to rethink this politically motivated decision as capital and production is moved among members. We would expect DOE to recognize this fact most of all since they are actively involved in “technology transitions.” Such transition only occurs in the context of facility/equipment closure and movement to improved products/plants.

#### Entity Statement

The general entity statement requirements under § 300.5 of the Interim Final Rule remain excessive and require too much detail for a voluntary reporting program. The need for this level of detail and complexity continues to discourage entities from reporting.

#### Certification of Reports

Section 300.10 requires a certification statement signed by the “chief executive officer,...” for “all other reports.” This requirement seems overly excessive for a “voluntary” program. DOE’s concern for accurate and consistent data is misplaced by the requirement of “high level” certifications. Chief Executive Officers et. al. will not be



the “number crunchers”. It is more appropriate for persons more closely tied to the collection and submission of the data to “sign off” on the intended accuracy of the data.

Reporting for other entities, such as trade associations, and consistency with other voluntary programs

Although DOE has attempted to more clearly define the intended use of the registry as a reporting platform for other government voluntary programs, most specifically EPA’s Climate Leaders Partnership and DOE’s Climate VISION program, the registry lacks consistency with those programs and will be an encumbrance to all voluntary program participation.

International Paper believes that a consistent platform is appropriate for reporting for various government climate change programs. The 1605(b) registry, however, must be able to accommodate the requirements of these programs without adding additional encumbrances. International Paper further encourages DOE to amend the registry to reflect the principles established by the EPA in the Climate Leaders program including minimal data submission for independently verified inventories. The current reporting framework under 1605(b) will force participants to re-evaluate current commitments to the EPA program. We believe this is contradictory to the President’s intention for revision to the 1605(b) registry.

IP disagrees with the current “aggregator” strategy in the interim final rule as applied to third parties such as trade associations reporting under Climate VISION. Absolutely no rights of “ownership” or responsibility should be conferred to a trade association when they report on the progress of an industrial sector toward a stated goal. The 1605(b) rule does not recognize this reality and will, subsequently, place Climate VISION commitments made by trade associations and others in jeopardy if the rule is not amended.

As a participant in both EPA Climate Leaders program and the AF&PA Climate VISION commitment, IP has the following specific concerns:

1. Goals or commitments under both programs were based on an understanding of the rules for each program and the associated reporting framework. The fact that 1605(b) reporting guidelines differ from standard reporting requirements and those of other government programs will require reassessment of all publicly stated goals.
2. The required accounting and reporting of forest carbon under 1605(b) is inconsistent with general practice and is not included in the EPA Climate Leaders program.
3. The starting year is inconsistent with other programs. Entities that intend to register reductions must choose a start year or the first year that an emissions inventory is submitted. To register reductions the start year can be no earlier than 2002. The AF&PA commitment to Climate VISION is based on a start year of

2000 and IP's commitment under EPA Climate Leaders is also 2000. [§ 300.5 – Entity Statement]

4. Aggregated reporting does not fit with AF&PA's intended collective Climate VISION commitment. [§ 300.7 Net Emission Reductions] For example, an aggregator must submit the following information on parties it is reporting for: Entity statement, emissions inventory, assessment of emission reductions and appropriate certifications, that would be required if third party were directly reporting to EIA. Such commitments were not included in the AF&PA commitment to report under Climate VISION.

#### Independent Verification

International Paper has no specific position with respect to including the concept of independent verification. The 1605(b) registry is intended to be a voluntary program and as such, it should not be required for reporting entities to seek independent verification. DOE should keep the reporting burden for entities to a minimum.

### **SUMMARY & CONCLUDING REMARKS**

IP appreciates continued effort by DOE to establish flexibility in the Guidelines and to incorporate the concerns of all stakeholders. We believe, however, that additional revisions are still necessary to make the 1605(b) Guidelines consistent with other widely accepted protocols, other voluntary reduction programs and international expectations.

For questions regarding these comments you may contact Jeffrey Lynn at (901) 419-3956 ([jeffrey.lynn@ipaper.com](mailto:jeffrey.lynn@ipaper.com)), Karen Risse at (901) 419-3958 ([karen.risse@ipaper.com](mailto:karen.risse@ipaper.com)), Douglas Stilwell at (901) 419-3897 ([douglas.stilwell@ipaper.com](mailto:douglas.stilwell@ipaper.com)) or myself at (901) 419-3896 ([duane.marshall@ipaper.com](mailto:duane.marshall@ipaper.com)).

Sincerely,



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